

Report to: Pension Board

Date of meeting: 07 November 2024

By: Chief Finance Officer

Title: Governance Report

Purpose: To provide an update on governance workstreams and changes effecting Local Government Pension Schemes and the East Sussex Pension Fund

RECOMMENDATIONS

The Pension Board is recommended to note this report

1 Background

1.1 This report is brought to the Pension Board to provide an update on the steps being taken to adopt good practice and ensure compliance with regulatory requirements for the East Sussex Pension Fund (the Fund or ESPF).

2 Legal and regulatory changes

2.1 As reported at the September meeting of the Board in July 2024, the new Chancellor of the Exchequer Rachel Reeves, announced a pensions' review to boost investment and tackle waste in the pensions system, stating that action will be taken to unleash the full investment might of the £360bn LGPS to make it an engine for growth and tackle the £2bn that is being spent on fees. The work announced, focusing on investments, was stated to be the first phase in reviewing the pensions landscape.

2.2 The announcement of the pensions review on 20 July 2024 was swiftly followed on 4 September 2024 by a call for evidence from interested parties to inform phase one of the review. The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds. The call for evidence asks several questions on scale and consolidation, costs vs value and investing in the UK. Attached to the call for evidence was a short response deadline of 25 September 2024. The second stage of the review is expected to consider pensions adequacy and fairness, such as the pensions gender gap. As yet no detailed timetable is available for this work. A copy of the response from the Fund for phase one is available at Appendix 1.

2.3 Subsequent to the Fund's submission of evidence, on 10 October 2024, the Head of Pensions was present at a meeting relating to the pensions review, attended by LGPS Officers of the access pool and representatives from HM Treasury, the Government Actuaries Department and Ministry of Housing, Communities and Local Government. In addition, the Head of Pensions also joined a roundtable discussion of the PLSA LGPS Policy Committee together with Parliamentary Secretary (HM Treasury), Emma Reynolds and Minister of State (Housing, Communities and Local Government), Jim McMahon.

2.4 On 17 September 2024, the Scheme Advisory Board (SAB) published a statement on Fiduciary Duties and dealing with lobbying. The purpose of the statement is to make clear SAB's view on the flexibility decision makers have to respond to lobbying; the standards of behaviour expected when discussing what can be emotionally charged issues, and where to go for support if

those standards are not being met. The full statement is attached at Appendix 2.

3 Funding Update

3.1 The Fund Actuary has prepared the indicative quarterly funding update as at 30 June 2024, rolling forward assumptions from the valuation and reflecting actual experience since March 2022, and is included as Appendix 3. The indicative funding report shows the funding position fall from 123% at the last valuation in March 2022 to 120% in June 2024. This does however represent a slight improvement from 118% in March 2024.

4 Conclusion

4.1 The Board is recommended to note this report.

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